

HEARING EXHIBIT NO. 8

(Merits Hearing of 4/3-4/2018)

In the matter of Docket No. 2017-292-WS:
Application of Carolina Water Service, Incorporated,
for Approval of an Increase in Its Rates
for Water and Sewer Services

I hereby certify this document to be a
true copy of the original.

Jocelyn Boyd

Chief Clerk

Date 8/30/18





Appendix A

Professional Qualifications of Dylan W. D'Ascendis, CRRA, CVA

Summary

Dylan is an experienced consultant and a Certified Rate of Return Analyst (CRRA) and Certified Valuation Analyst (CVA). He has served as a consultant for investor-owned and municipal utilities and authorities for 9 years. Dylan has extensive experience in rate of return analyses, class cost of service, rate design, and valuation for regulated public utilities. He has testified as an expert witness in the subjects of rate of return, cost of service, rate design, and valuation before 13 regulatory commissions in the U.S. and an American Arbitration Association panel.

He also maintains the benchmark index against which the Hennessy Gas Utility Mutual Fund performance is measured. He serves on the Rates and Regulatory Committee of the National Association of Water Companies (NAWC).

Areas of Specialization

- | | | |
|----------------------------|---|-------------------|
| ■ Regulation and Rates | ■ Capital Market Risk | ■ Rate of Return |
| ■ Utilities | ■ Financial Modeling | ■ Cost of Service |
| ■ Mutual Fund Benchmarking | ■ Valuation | ■ Rate Design |
| ■ Capital Market Risk | ■ Regulatory Strategy and Rate Case Support | |

Recent Expert Testimony Submission/Apearances

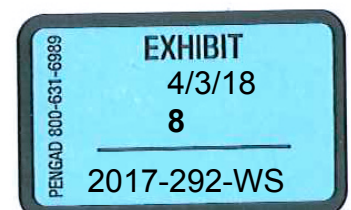
- | Jurisdiction | Topic |
|--|---|
| ■ Regulatory Commission of Alaska | Return on Common Equity & Capital Structure |
| ■ New Jersey Board of Public Utilities | Cost of Service, Rate Design |
| ■ Pennsylvania Public Utility Commission | Return on Common Equity |
| ■ South Carolina Public Service Commission | Return on Common Equity |
| ■ American Arbitration Association | Valuation |

Recent Assignments

- Provided expert testimony on the cost of capital for ratemaking purposes before numerous state utility regulatory agencies
- Maintains the benchmark index against which the Hennessy Gas Utility Mutual Fund performance is measured
- Sponsored valuation testimony for a large municipal water company in front of an American Arbitration Association Board to justify the reasonability of their lease payments to the City
- Co-authored a valuation report on behalf of a large investor-owned utility company in response to a new state regulation which allowed the appraised value of acquired assets into rate base

Recent Publications and Speeches

- Co-Author of: "The Impact of Decoupling on the Cost of Capital of Public Utilities", co-authored with Richard A. Michelfelder, Ph.D., Rutgers University and Pauline M. Ahern. (Forthcoming)
- "Past is Prologue: Future Test Year", Presentation before the National Association of Water Companies 2017 Southeast Water Infrastructure Summit, May 2, 2017, Savannah, GA.
- Co-author of: "Comparative Evaluation of the Predictive Risk Premium Model™, the Discounted Cash Flow Model and the Capital Asset Pricing Model", co-authored with Richard A. Michelfelder, Ph.D., Rutgers University, Pauline M. Ahern, and Frank J. Hanley, The Electricity Journal, May, 2013.
- "Decoupling: Impact on the Risk and Cost of Common Equity of Public Utility Stocks", before the Society of Utility and Regulatory Financial Analysts: 45th Financial Forum, April 17-18, 2013, Indianapolis, IN.



SPONSOR	DATE	CASE/APPLICANT	DOCKET No.	SUBJECT
Regulatory Commission of Alaska				
Alaska Power Company	07/16	Alaska Power Company	Docket No. TA857-2	Rate of Return
Colorado Public Utilities Commission				
Atmos Energy Corporation	06/17	Atmos Energy Corporation	Docket No. 17AL-0429G	Return on Equity
Delaware Public Service Commission				
Tidewater Utilities, Inc.	11/13	Tidewater Utilities, Inc.	Docket No. 13-466	Capital Structure
Hawaii Public Utilities Commission				
Kaupulehu Water Company	02/18	Kaupulehu Water Company	Docket No. __	Rate of Return
Aqua Engineers, LLC	05/17	Puhi Sewer & Water Company	Docket No. 2017-0118	Cost of Service / Rate Design
Hawaii Resources, Inc.	09/16	Laie Water Company	Docket No. 2016-0229	Cost of Service / Rate Design
Illinois Commerce Commission				
Utility Services of Illinois, Inc.	11/17	Utility Services of Illinois, Inc.	Docket No. 17-1106	Cost of Service / Rate Design
Aqua Illinois, Inc.	04/17	Aqua Illinois, Inc.	Docket No. 17-0259	Rate of Return
Utility Services of Illinois, Inc.	04/15	Utility Services of Illinois, Inc.	Docket No. 14-0741	Rate of Return
Indiana Utility Regulatory Commission				
Aqua Indiana, Inc.	03/16	Aqua Indiana, Inc. Aboite Wastewater Division	Docket No. 44752	Rate of Return
Twin Lakes, Utilities, Inc.	08/13	Twin Lakes, Utilities, Inc.	Docket No. 44388	Rate of Return
Louisiana Public Service Commission				
Louisiana Water Service, Inc.	06/13	Louisiana Water Service, Inc.	Docket No. U-32848	Rate of Return
Massachusetts Department of Public Utilities				
Liberty Utilities	07/15	Liberty Utilities d/b/a New England Natural Gas Company	Docket No. 15-75	Rate of Return
Missouri Public Service Commission				
Indian Hills Utility Operating Company, Inc.	10/17	Indian Hills Utility Operating Company, Inc.	Case No. SR-2017-0259	Rate of Return
Raccoon Creek Utility Operating Company, Inc.	09/16	Raccoon Creek Utility Operating Company, Inc.	Docket No. SR-2016-0202	Rate of Return
New Jersey Board of Public Utilities				

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Middlesex Water Company	10/17	Middlesex Water Company	Docket No. WR1710xxxx	Rate of Return
Middlesex Water Company	03/15	Middlesex Water Company	Docket No. WR15030391	Rate of Return
The Atlantic City Sewerage Company	10/14	The Atlantic City Sewerage Company	Docket No. WR14101263	Cost of Service / Rate Design
Middlesex Water Company	11/13	Middlesex Water Company	Docket No. WR1311059	Capital Structure
Public Utilities Commission of Ohio				
Aqua Ohio, Inc.	05/16	Aqua Ohio, Inc.	Docket No. 16-0907-WW-AIR	Rate of Return
Pennsylvania Public Utility Commission				
Columbia Water Company	09/17	Columbia Water Company	Docket No. R-2017-2598203	Rate of Return
Veolia Energy Philadelphia, Inc.	06/17	Veolia Energy Philadelphia, Inc.	Docket No. R-2017-2593142	Rate of Return
Emporium Water Company	07/14	Emporium Water Company	Docket No. R-2014-2402324	Rate of Return
Columbia Water Company	07/13	Columbia Water Company	Docket No. R-2013-2360798	Rate of Return
Penn Estates Utilities, Inc.	12/11	Penn Estates, Utilities, Inc.	Docket No. R-2011-2255159	Capital Structure / Long-Term Debt Cost Rate
South Carolina Public Service Commission				
Carolina Water Service, Inc.	06/15	Carolina Water Service, Inc.	Docket No. 2015-199-WS	Rate of Return
Carolina Water Service, Inc.	11/13	Carolina Water Service, Inc.	Docket No. 2013-275-WS	Rate of Return
United Utility Companies, Inc.	09/13	United Utility Companies, Inc.	Docket No. 2013-199-WS	Rate of Return
Utility Services of South Carolina, Inc.	09/13	Utility Services of South Carolina, Inc.	Docket No. 2013-201-WS	Rate of Return
Tega Cay Water Services, Inc.	11/12	Tega Cay Water Services, Inc.	Docket No. 2012-177-WS	Capital Structure
Virginia State Corporation Commission				
Aqua Virginia, Inc.	7/17	Aqua Virginia, Inc.	PUR-2017-00082	Rate of Return
Massanutten Public Service Corp.	08/14	Massanutten Public Service Corp.	PUE-2014-00035	Rate of Return / Rate Design

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	<u>Schedule</u>
Summary of Cost of Capital and Fair Rate of Return	DWD-1
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Basis of selection for the Non-Price Regulated Companies Comparable in Total Risk to the Proxy Group of Eight Water Companies	DWD-6
Cost of Common Equity Models Applied to the Comparable Risk Non-Price Regulated Companies	DWD-7
Relative Measures of Size for Carolina Water Service, Inc. and the Proxy Group of Eight Water Companies	DWD-8

Type Of Capital	Ratios (1)	Cost Rate	Weighted Cost Rate
Long-Term Debt	48.11%	6.60%	(1) 3.18%
Common Equity	51.89%	10.45% - 10.95% (2)	5.42% - 5.68%
Total	100.00%		8.60% 8.86%

(1) Company-Provided.
(2) From page 2 of this Schedule.

Notes:

- (1) From Schedule DWD-3.
- (2) From page 1 of Schedule DWD-4.
- (3) From page 1 of Schedule DWD-5.
- (4) From page 1 of Schedule DWD-7.
- (5) From Schedule DWD-8

Proxy Group of Eight Water Companies
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2012 - 2016, Inclusive

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	
	(MILLIONS OF DOLLARS)					
<u>CAPITALIZATION STATISTICS</u>						
<u>AMOUNT OF CAPITAL EMPLOYED</u>						
TOTAL PERMANENT CAPITAL	\$2,399.854	\$2,269.476	\$2,156.407	\$2,058.747	\$1,998.358	
SHORT-TERM DEBT	<u>\$137.724</u>	<u>\$95.003</u>	<u>\$72.459</u>	<u>\$95.589</u>	<u>\$60.594</u>	
TOTAL CAPITAL EMPLOYED	<u>\$2,537.578</u>	<u>\$2,364.479</u>	<u>\$2,228.866</u>	<u>\$2,154.336</u>	<u>\$2,058.952</u>	
<u>INDICATED AVERAGE CAPITAL COST RATES (2)</u>						
TOTAL DEBT	4.73 %	4.89 %	5.01 %	5.19 %	5.36 %	
PREFERRED STOCK	5.42 %	5.42 %	5.30 %	5.51 %	5.53 %	
						<u>5 YEAR</u>
<u>CAPITAL STRUCTURE RATIOS</u>						<u>AVERAGE</u>
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	46.13 %	46.25 %	45.71 %	46.24 %	49.32 %	46.73 %
PREFERRED STOCK	0.12	0.12	0.13	0.16	0.18	0.14
COMMON EQUITY	<u>53.75</u>	<u>53.63</u>	<u>54.16</u>	<u>53.60</u>	<u>50.50</u>	<u>53.13</u>
TOTAL	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	48.59 %	47.63 %	47.00 %	47.77 %	50.87 %	48.37 %
PREFERRED STOCK	0.11	0.12	0.13	0.15	0.17	0.14
COMMON EQUITY	<u>51.30</u>	<u>52.25</u>	<u>52.87</u>	<u>52.08</u>	<u>48.96</u>	<u>51.49</u>
TOTAL	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %
<u>FINANCIAL STATISTICS</u>						
<u>FINANCIAL RATIOS - MARKET BASED</u>						
EARNINGS / PRICE RATIO	4.01 %	4.72 %	5.44 %	4.84 %	5.47 %	4.90 %
MARKET / AVERAGE BOOK RATIO	274.64	224.46	212.84	206.33	187.65	221.18
DIVIDEND YIELD	2.17	2.66	2.76	2.88	3.17	2.73
DIVIDEND PAYOUT RATIO	55.72	56.71	52.46	58.35	60.42	56.73
<u>RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY</u>	10.83 %	10.40 %	11.38 %	10.08 %	10.12 %	10.56 %
<u>TOTAL DEBT / EBITDA (3)</u>	3.63 X	3.64 X	3.40 X	3.65 X	3.83 X	3.63 X
<u>FUNDS FROM OPERATIONS / TOTAL DEBT (4)</u>	22.17 %	24.05 %	25.95 %	22.85 %	20.86 %	23.18 %
<u>TOTAL DEBT / TOTAL CAPITAL</u>	48.59 %	47.63 %	47.00 %	47.77 %	50.87 %	48.37 %

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.
- (2) Computed by relating actual total debt interest or preferred stock dividends booked to average of beginning and ending total debt or preferred stock reported to be outstanding.
- (3) Total debt relative to EBITDA (Earnings before Interest, Income Taxes, Depreciation and Amortization).
- (4) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges as a percentage of total debt.

Source of Information: Company Annual Forms 10-K

Capital Structure Based upon Total Permanent Capital for the
Proxy Group of Eight Water Companies
2012 - 2016, Inclusive

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>5 YEAR AVERAGE</u>
<u>American States Water Co.</u>						
Long-Term Debt	39.40 %	41.15 %	39.15 %	40.30 %	42.49 %	40.50 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	60.60	58.85	60.85	59.70	57.51	59.50
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>American Water Works Company Inc</u>						
Long-Term Debt	54.74 %	53.89 %	52.70 %	52.42 %	54.30 %	53.61 %
Preferred Stock	0.09	0.11	0.15	0.17	0.21	0.15
Common Equity	45.17	46.00	47.15	47.41	45.49	46.24
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Aqua America Inc</u>						
Long-Term Debt	50.81 %	50.76 %	49.45 %	50.32 %	53.41 %	50.95 %
Preferred Stock	0.00	0.00	0.00	0.01	0.01	0.00
Common Equity	49.19	49.24	50.55	49.67	46.58	49.05
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>California Water Service Group</u>						
Long-Term Debt	45.83 %	44.69 %	40.46 %	42.03 %	50.39 %	44.68 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	54.17	55.31	59.54	57.97	49.61	55.32
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Connecticut Water Service Inc</u>						
Long-Term Debt	46.02 %	44.54 %	45.91 %	47.34 %	49.03 %	46.57 %
Preferred Stock	0.18	0.19	0.20	0.20	0.21	0.20
Common Equity	53.80	55.27	53.89	52.46	50.76	53.23
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Middlesex Water Co.</u>						
Long-Term Debt	38.91 %	40.44 %	41.55 %	41.36 %	43.53 %	41.16 %
Preferred Stock	0.67	0.69	0.71	0.88	1.02	0.79
Common Equity	60.42	58.87	57.74	57.76	55.45	58.05
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>SIW Corp</u>						
Long-Term Debt	50.69 %	50.03 %	51.66 %	51.09 %	55.39 %	51.77 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	49.31	49.97	48.34	48.91	44.61	48.23
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>York Water Co.</u>						
Long-Term Debt	42.60 %	44.46 %	44.81 %	45.07 %	45.98 %	44.58 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	57.40	55.54	55.19	54.93	54.02	55.42
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>Proxy Group of Eight Water Companies</u>						
Long-Term Debt	46.13 %	46.25 %	45.71 %	46.24 %	49.32 %	46.73 %
Preferred Stock	0.12	0.12	0.13	0.16	0.18	0.14
Common Equity	53.75	53.63	54.16	53.60	50.50	53.13
Total Capital	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

Source of Information
Annual Forms 10-K

Carolina Water Service, Inc. of South Carolina
Indicated Common Equity Cost Rate Using the Discounted Cash Flow Model for
Proxy Group of Eight Water Companies

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
	Average Dividend Yield (1)	Value Line Projected Five Year Growth in EPS (2)	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth in EPS (3)	Adjusted Dividend Yield (4)	Indicated Common Equity Cost Rate (5)
<u>Proxy Group of Eight Water Companies</u>								
American States Water Co.	2.03 %	6.50 %	4.90 %	5.00 %	4.90 %	5.33 %	2.08 %	7.41 %
American Water Works Company Inc	2.03	8.50	8.52	7.40	7.03	7.86	2.11	9.97
Aqua America Inc	2.43	7.00	6.87	6.30	5.60	6.44	2.51	8.95
California Water Service Group	1.88	9.00	9.80	5.50	9.80	8.53	1.96	10.49
Connecticut Water Service Inc	2.08	4.50	5.45	6.00	5.45	5.35	2.14	7.49
Middlesex Water Co.	2.16	8.50	NA	NA	2.70	5.60	2.22	7.82
SJW Corp	1.56	4.50	NA	NA	14.00	9.25	1.63	10.88
York Water Co.	1.88	7.00	NA	NA	4.90	5.95	1.94	7.89
							Average	<u>8.86 %</u>
							Median	<u>8.42 %</u>
							Average of Mean and Median	<u>8.64 %</u>

NA= Not Available

Notes:

- (1) Indicated dividend at 10/13/2017 divided by the average closing price of the last 60 trading days ending 10/13/2017 for each company.
- (2) From pages 2 through 9 of this Schedule.
- (3) Average of columns 2 through 5 excluding negative growth rates.
- (4) This reflects a growth rate component equal to one-half the conclusion of growth rate (from column 6) x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for American States Water Co., $2.03\% \times (1 + (1/2 \times 5.33\%)) = 2.08\%$.
- (5) Column 6 + column 7.

Source of Information:

Value Line Investment Survey
www.reuters.com Downloaded on 10/13/2017
www.zacks.com Downloaded on 10/13/2017
www.yahoo.com Downloaded on 10/13/2017

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<p>(A) Diluted earnings. Excludes nonrecurring losses: '08, \$4.62; '09, \$2.63; '11, \$0.07. Discontinued operations: '06, (\$0.04); '11, \$0.03; '12, (\$0.10); '13,(\$0.01). GAAP used as of</p> <p>© 2017 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. The PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscribers' own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, without the publisher's prior written consent.</p>	<p>2014. Next earnings report due mid-November. Quarterly earnings do not sum in '16 due to rounding. (B) Dividends paid in March, June, September, and December. = Div. reinvest-</p>	<p>ment available. (C) In millions. (D) Includes intangibles. On 6/30/17: \$1.373 billion, \$7.70/share. (E) Pro forma numbers for '06 and '07.</p>	<table><tr><td>Company's Financial Strength</td><td>B+</td></tr><tr><td>Stock's Price Stability</td><td>100</td></tr><tr><td>Price Grade Persistence</td><td>85</td></tr><tr><td>Earnings Predictability</td><td>90</td></tr></table>	Company's Financial Strength	B+	Stock's Price Stability	100	Price Grade Persistence	85	Earnings Predictability	90
Company's Financial Strength	B+										
Stock's Price Stability	100										
Price Grade Persistence	85										
Earnings Predictability	90										
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AQUA AMERICA NYSE-WTR				RECENT PRICE	33.77	P/E RATIO	24.3	Trailing: 25.8 Median: 22.0	RELATIVE P/E RATIO	1.21	DIV'D YLD	2.5%	VALUE LINE		
TIMELINESS	3	Lowered 8/26/16	High: 23.8 Low: 16.1	21.3 15.1	17.6 9.8	17.2 12.3	18.4 13.2	19.0 15.4	21.5 16.8	28.1 20.6	28.2 22.4	34.1 24.4	35.8 28.0	34.7 29.4	Target Price Range 2020 2021 2022
SAFETY	2	Raised 4/20/12	LEGENDS 1.60 x Dividends p sh divided by Interest Rate Relative Price Strength 4-for-3 split 12/05 5-for-4 split 9/13 Options: Yes Shaded area indicates recession												
TECHNICAL	1	Raised 10/13/17	2020-22 PROJECTIONS												
BETA	.70	(1.00 = Market)	Price	Gain	Ann'l Total Return										
			45	(+35%)	10%										
			35	(+5%)	4%										
Insider Decisions															
to Buy															
Options															
to Sell															
Institutional Decisions															
to Buy															
to Sell															
Hld's (000)															
4Q2016															
1Q2017															
2Q2017															
Percent shares traded															
15															
10															
5															
2001															
2002															
2003															
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3.32															
142.47															
23.6															
1.21															
2.5%															
602.5															
95.0															
38.9%															
55.4%															
44.6%															
2191.4															
2792.8															
5.9%															
9.7%															
9.7%															
3.2%															
67%															
CAPITAL STRUCTURE as of 6/30/17															
Total Debt \$2093.6 mill. Due in 5 Yrs \$430.5 mill.															
LT Debt \$1882.6 mill. LT Interest \$76.3 mill.															
(51% of Cap'l)															
Pension Assets 12/16 \$242.4 mill.															
Oblig: \$308.2 mill.															
Pfd Stock None															
Common Stock 177,651,543 shares as of 7/24/17															
MARKET CAP: \$6.0 billion (Large Cap)															
CURRENT POSITION															
(SMILL)															
Cash Assets															
Receivables															
Inventory (Avg Est)															
Other															
Current Assets															
Accts Payable															
Debt Payable															
Other															
Current Liab.															
ANNUAL RATES															
change (per sh)															
10 Yrs															
5 Yrs															
Past 14-16															
Revenues															
Cash Flow ^B															
Earnings															
Dividends															
Book Value															
QUARTERLY REVENUES (\$mill)															
Cal-ender															
Mar-31															
Jun-30															
Sep-30															
Dec-31															
Full Year															
2014															
2015															
2016															
2017															
2018															
EARNINGS PER SHARE ^A															
Cal-ender															
Mar-31															
Jun-30															
Sep-30															
Dec-31															
Full Year															
2014															
2015															
2016															
2017															
2018															
QUARTERLY DIVIDENDS PAID ^B															
Cal-ender															
Mar-31															
Jun-30															
Sep-30															
Dec-31															
Full Year															
2013															
2014															
2015															
2016															
2017															
2018															

to Buy
Options
to Sell

4Q2016
182
171
88568

1Q2017
179
180
103594

2Q2017
172
155
104564

Percent shares traded

15
10
5

5-for-4

% TOT. RETURN 9/17

1 yr. 11.6
3 yr. 51.9
5 yr. 89.6

VL ARITH.
16.4
31.5
88.9

Revenues per sh
"Cash Flow" per sh
Earnings per sh^A
Div'd Decl'd per sh^B
Cap'l Spending per sh
Book Value per sh
Common Shs Outst'g^C

4.95
2.25
1.85
1.15
2.25
14.85
180.00

Avg Ann'l P/E Ratio
Relative P/E Ratio
Avg Ann'l Div'd Yield

21.0
1.30
2.9%

Revenues (\$mill)
Net Profit (\$mill)
Income Tax Rate
AFUDC % to Net Profit
Long-Term Debt Ratio
Common Equity Ratio^D
Total Capital (\$mill)
Net Plant (\$mill)
Return on Total Cap'l
Return on Shr. Equity
Return on Com Equity
Retained to Com Eq
All Div's to Net Prof

1085
335
10.0%
3.8%
51.0%
49.0%
5500
5800
7.5%
12.5%
12.5%
4.5%
62%

BUSINESS: Aqua America, Inc. is the holding company for water and wastewater utilities that serve approximately three million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, and five other states. Has 1,551 employees. Acquired AquaSource, 7/13; North Maine Utilities, 7/15; and others. Water supply revenues '2016: residential, 59%; commercial, 16%; industrial, wastewater & other, 25%. Off. & dir. own less than 1% of the common stock; Vanguard Group, 8.9%; Blackrock, Inc., 8.1%; State Street Capital, 6.0% (3/17 Proxy). President & Chief Executive Officer: Christopher Franklin, Incorporated. Pennsylvania. Address: 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. Tel.: 610-525-1400. Internet: www.aquaamerica.com.

A large percentage of Aqua America's future growth will likely come via acquisitions. Similar to other large publicly traded water utilities, Aqua has been a continual buyer of small local water districts. Indeed, most of the 100,000-plus water systems in the U.S. do not have the financial wherewithal to replace their aging infrastructures. By constantly purchasing these types of entities, Aqua can gradually increase its customer base. Moreover, since actual synergies do result from mergers in this industry, the new assets can be operated more efficiently.

There's always something happening on the regulatory front. The company has received rate relief in Indiana, New Jersey, North Carolina, Ohio and Pennsylvania. Other rate cases are pending in Virginia and Illinois. Aqua has good relationships with its regulators, so we are not expecting any major negative surprises.

Dividends should increase at a healthy rate for the foreseeable future. Last quarter, the payout was hiked by 7%. This is less than the company's five- and 10-year historical average of 8%. Nevertheless, we think Aqua's strong cash

generation should enable its payouts to rise 8%-10% annually through 2020-2022.

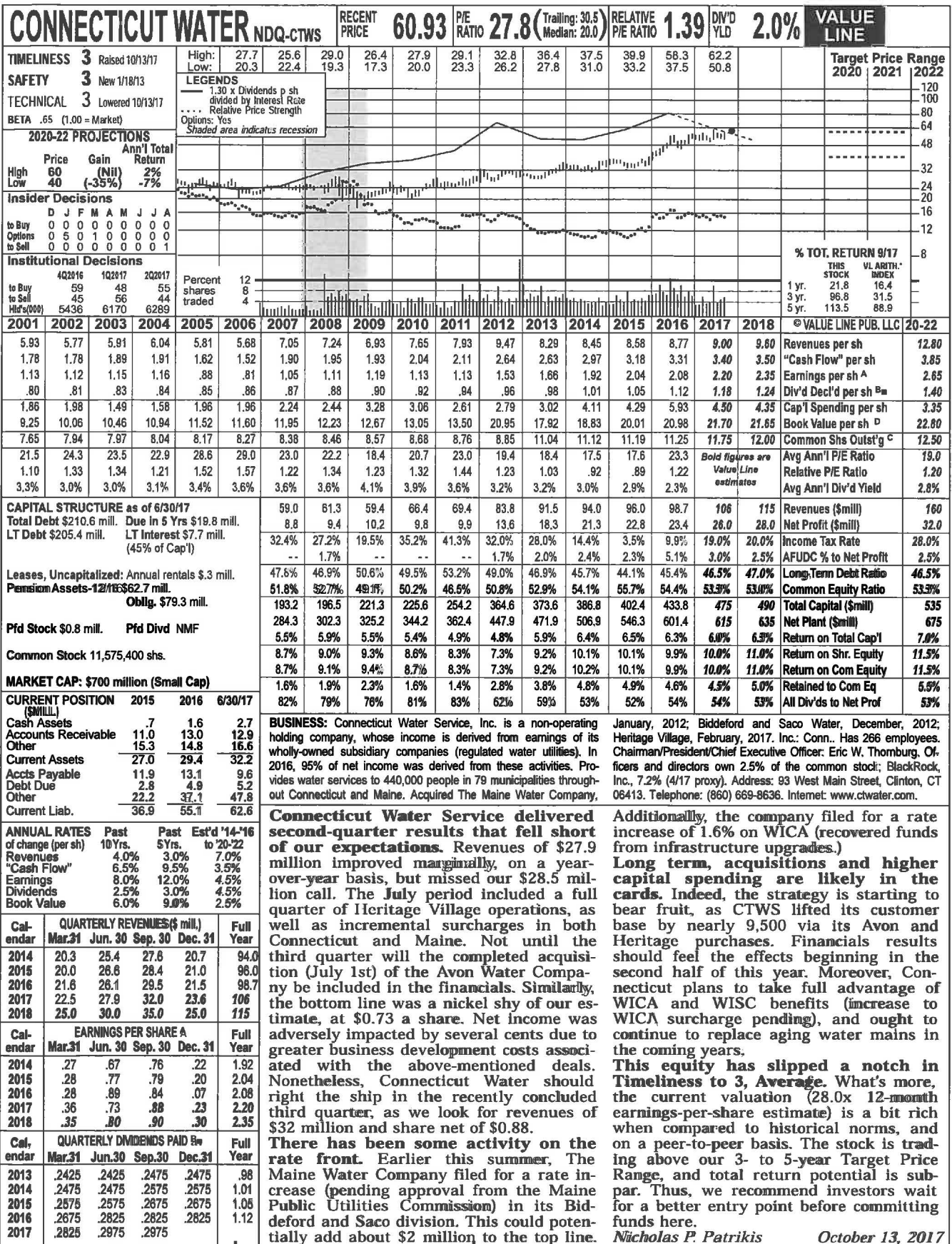
Capital outlays are large but manageable. Aqua increased this year's capital expenditure budget to approximately \$450 million. The majority of funds will be allocated to repair, maintain, and replace aged pipelines and equipment. We don't expect this figure to change much in 2018. In 2019, though, we think outlays should decline to the \$300 million-\$325 million range. Of the nine members included in the water group, Aqua is only one of two that rates a Financial Strength rating of at least an A. While the balance sheet may be more leveraged over the next couple of years, it should remain relatively healthy.

The stock has a high yield for a water utility. WTR is yielding 2.5%, or about 50 basis points more than its peers. This is unusual considering the equity's strong projected dividend growth. As a result, even though we still think shares of water utilities are currently trading at too high a premium, WTR is probably the best selection for those investors who must own a stock in this industry.

James A. Flood

October 13, 2017

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(A) Diluted earnings. Next earnings report due late November.
(B) Dividends historically paid in mid-March, June, September, and December. = Div'd rein-
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Company's Financial Strength B+
Stock's Price Stability 90
Price Growth Persistence 50
Earnings Predictability 90

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SJW GROUP NYSE-SJW				RECENT PRICE	57.60	P/E RATIO	22.7	(Trailing: 21.6 Median: 23.0)	RELATIVE P/E RATIO	1.13	DIV'D YLD	1.5%	VALUE LINE										
TIMELINESS	3	Raised 6/30/17	High: 45.3	43.0	35.1	30.4	28.2	26.8	26.9	30.1	33.7	35.7	56.9	57.8	Target Price Range								
SAFETY	3	New 4/22/11	Low: 21.2	27.7	20.0	18.2	21.6	20.9	22.6	24.5	25.5	27.5	28.6	45.4	2020 2021 2022								
TECHNICAL	3	Lowered 8/11/17	<div>LEGENDS</div> <div>1.50 x Dividends p.sh. divided by Interest Rate</div> <div>.... Relative Price Strength</div> <div>3-for-1 split 3/04</div> <div>2-for-1 split 3/06</div> <div>Options: Yes</div> <div>Shaded area indicates recession</div>																				
BETA	.75	(1.00 = Market)	<div>2020-22 PROJECTIONS</div> <div>Price Gain Ann'l Total</div> <div>High 80 (+40%) 10%</div> <div>Low 55 (-5%) 1%</div>																				
Insider Decisions			<div>D J F M A M J J A</div> <div>to Buy 0 0 0 0 0 0 0 0</div> <div>to Sell 0 0 0 6 8 0 0 0</div> <div>Options 1 1 1 0 0 0 0 0</div>																				
Institutional Decisions			<div>4Q2016 1Q2017 2Q2017</div> <div>to Buy 81 83 67</div> <div>to Sell 59 59 73</div> <div>Mid's(000) 9218 10726 10969</div> <div>Percent shares traded</div> <div>15 10 5</div>												<div>% TOT. RETURN 9/17</div> <div>THIS STOCK</div> <div>1 yr. 31.8</div> <div>3 yr. 124.9</div> <div>5 yr. 151.9</div> <div>INDEX</div> <div>15.4</div> <div>31.5</div> <div>88.9</div>								
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22				
7.45	7.97	8.20	9.14	9.86	10.35	11.25	12.12	11.68	11.62	12.85	14.01	13.73	15.76	14.97	16.61	17.15	18.80	Revenues per sh	20.65				
1.49	1.55	1.75	1.89	2.21	2.38	2.30	2.44	2.21	2.38	2.80	2.97	2.90	4.42	3.86	4.76	4.60	4.65	"Cash Flow" per sh	5.15				
.77	.78	.91	.87	1.12	1.19	1.04	1.08	.81	.84	1.11	1.18	1.12	2.54	1.85	2.57	2.45	2.60	Earnings per sh	3.00				
.43	.46	.49	.51	.53	.57	.61	.65	.66	.68	.69	.71	.73	.75	.78	.81	.87	.93	Div'd Decl'd per sh	1.12				
2.63	2.06	3.41	2.31	2.83	3.87	6.62	3.79	3.17	5.65	3.75	5.67	4.68	5.02	5.24	6.95	6.00	5.50	Cap'l Spending per sh	5.00				
8.17	8.40	9.11	10.11	10.72	12.48	12.90	13.99	13.66	13.75	14.20	14.71	15.92	17.75	18.83	20.61	21.20	21.60	Book Value per sh	23.90				
18.27	18.27	18.27	18.27	18.27	18.28	18.36	18.18	18.50	18.55	18.59	18.87	20.17	20.29	20.38	20.46	21.00	22.00	Common Shs Outstanding	23.00				
18.5	17.3	15.4	19.6	19.7	23.5	33.4	26.2	28.7	29.1	21.2	20.4	24.3	11.2	16.6	15.7	Bold figures are Value Line Estimates	15.7	Avg Ann'l P/E Ratio	22.0				
.95	.94	.88	1.04	1.05	1.27	1.77	1.58	1.91	1.85	1.33	1.30	1.37	.59	.84	.83	1.00	1.00	Relative P/E Ratio	1.40				
3.0%	3.4%	3.5%	3.0%	2.4%	2.0%	1.7%	2.3%	2.8%	2.8%	2.9%	3.0%	2.7%	2.8%	2.5%	2.0%	2.0%	2.0%	Avg Ann'l Div'd Yield	1.7%				
CAPITAL STRUCTURE as of 6/30/17																							
Total Debt \$430.9 mill. Due in 5 Yrs \$14.3 mill.				206.6	220.3	216.1	215.6	239.0	261.5	276.9	319.7	305.1	339.7	360	370	Revenues (\$mill)	475						
LT Debt \$430.9 mill. LT Interest \$20.0 mill. (50% of Cap'l)				19.3	20.2	15.2	15.8	20.9	22.3	23.5	51.8	37.9	52.8	51.0	57.0	Net Profit (\$mill)	69.0						
				39.4%	39.5%	40.4%	38.8%	41.1%	41.1%	38.7%	32.5%	38.1%	38.8%	39.0%	39.0%	Income Tax Rate	39.0%						
				2.7%	2.3%	2.0%	--	--	--	--	--	2.0%	1.0%	1.5%	1.5%	AFUDC % to Net Profit	1.5%						
Leases, Uncapitalized: Annual rentals \$6.6 mill.				47.7%	46.0%	49.4%	53.7%	56.6%	55.0%	51.1%	51.6%	49.8%	50.7%	49.0%	48.5%	Long-Term Debt Ratio	49.0%						
				52.3%	54.0%	50.6%	46.3%	43.4%	45.0%	48.9%	48.4%	50.2%	49.3%	51.0%	51.5%	Common Equity Ratio	51.0%						
Pension Assets-12/16 \$113.9 mill. Oblig. \$174.1 mill.				453.2	470.9	499.6	550.7	607.9	610.2	656.2	744.5	764.6	855.0	870	925	Total Capital (\$mill)	1075						
Pfd Stock None.				645.5	684.2	718.5	785.5	756.2	831.6	898.7	963.0	1036.8	1146.4	1200	1250	Net Plant (\$mill)	1325						
				5.7%	5.8%	4.4%	4.3%	4.9%	5.0%	5.0%	8.3%	6.3%	7.4%	7.0%	7.5%	Return on Total Cap'l	7.5%						
Common Stock 20,506,494 shs.				8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	7.3%	14.4%	9.9%	12.5%	11.5%	12.0%	Return on Shr. Equity	12.3%						
				8.2%	8.0%	6.0%	6.2%	7.9%	8.1%	7.3%	14.4%	9.9%	12.5%	11.5%	12.0%	Return on Com Equity	12.5%						
MARKET CAP: \$1.2 billion (Mid Cap)				3.5%	3.3%	1.2%	1.2%	3.1%	3.3%	2.8%	10.2%	5.7%	8.6%	7.5%	7.5%	Retained to Com Eq	8.0%						
				57%	59%	80%	80%	61%	59%	62%	29%	42%	31%	36%	36%	All Div's to Net Prof	37%						
CURRENT POSITION (2015 2016 6/30/17)																							
				5.2	25.3	9.2																	
				16.4	16.4	20.6																	
				51.8	57.9	43.1																	
				73.4	99.6	72.9																	
				16.2	18.7	27.1																	
				38.1	14.3	--																	
				25.3	30.6	43.3																	
				79.6	63.6	70.4																	
ANNUAL RATES of change (per sh)																							
				5.0%	5.5%	4.5%																	
				7.0%	12.0%	3.0%																	
				8.0%	20.5%	4.5%																	
				4.0%	3.0%	6.0%																	
				5.5%	6.5%	4.0%																	
QUARTERLY REVENUES (\$ mill.)																							
				Mar.31	Jun.30	Sep.30	Dec.31								Full Year								
				54.6	70.4	125.4	69.3								319.7								
				62.1	72.4	83.0	87.6								305.1								
				61.1	86.9	112.3	79.4								339.7								
				69.0	102.1	102	87.0								360								
				70.0	105	105	90.0								370								
EARNINGS PER SHARE																							
				Mar.31	Jun.30	Sep.30	Dec.31								Full Year								
				.04	.34	1.88	.28								2.54								
				.23	.36	.46	.80								1.85								
				.16	.82	.92	.67								2.57								
				.18	.90	.75	.62								2.45								
				.27	.88	.80	.65								2.60								
QUARTERLY DIVIDENDS PAID																							
				Mar.31	Jun.30	Sep.30	Dec.31								Full Year								
				.1825	.1825	.1825	.1825								.73								
				.1875	.1875	.1875	.1875								.75								
				.1950	.1950	.1950	.1950								.78								
				.2025	.2025	.2025	.2025								.81								
				.2175	.2175	.2175	.2175																

Business: SJW Group engages in the production, purchase, storage, purification, distribution, and retail sale of water. It provides water service to approximately 229,000 connections with a total population of roughly one million people in the San Jose area and 13,000 connections that reaches about 39,000 residents in the region between San Antonio and Austin, Texas. The company also offers nonregulated water-related services and owns and operates commercial real estate investments. Has about 406 employees. Officers and directors (including Nancy O. Moss) own 26.9% of outstanding shares (3/17 proxy). Chairman & C.E.O.: Richard Roth. Inc.: California. Address: 110 West Taylor Street, San Jose, CA 95110. Telephone: (408) 279-7800. Internet: www.sjwater.com.

SJW Group is making a change at the helm. Current President and Chief Executive Officer Richard Roth announced his retirement effective November 5th. The board of directors has appointed Eric W. Thornburg as a replacement for both positions, as well as a new board member. Mr. Roth will also step down as Chairman, but will serve until the next annual stockholder's meeting.

The second-quarter performance was better than expected. SJW delivered impressive financial results during the June period, underpinned by cumulative rate increases and higher recordings in its water conservation memorandum account. Customer water usage also ramped up in the period. All told, revenues of \$102 million rose 17% from the previous-year tally. Meanwhile, water production and operating costs edged higher, but the company managed to report earnings of \$0.90 a share. Note, there was a one-time gain on the sale of real estate assets. Still, the bottom line would have exceeded our expectations.

Our financial projections are being raised across the board. We have added \$0.25 to our current-year earnings estimate, to \$2.45 a share mainly owing to the recent quarter's beat. For 2018, we now look for share net of \$2.60 (+\$0.25). Revenues for this year and next are being ratcheted up by \$15 million and \$20 million, to \$360 million and \$370 million, respectively.

Capital spending ought to be a key growth driver further out. Year to date, SJW has invested \$62 million, and will likely allocate more funds to its Montevina project this year. On balance, only a small dent has been made in its \$300 million spending budget. Lastly, the company ought to get a better handle on its operating costs, which should provide a modest boost to margins down the road.

SJW Group stock does not jump out at us at the current quotation. Shares of the San Jose utility have surged almost 15% in value since our July review. Even after raising our 2020-2022 Target Price Range, the issue presents lackluster total return potential over the long haul. Moreover, the dividend yield is below the Value Line median.

Nicholas P. Patrikis October 13, 2017

(A) Diluted earnings. Next earnings report due late November.	(C) In millions, adjusted for split.		Company's Financial Strength	B+
(B) Dividends historically paid in late February, June, September, and December.			Stock's Price Stability	60
			Price/Growth Persistence	55
			Earnings Predictability	95
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